

ECONOMIC SECURITY ACT

MONDAY, FEBRUARY 4, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room! Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), George, Barkley, Costigan, Byrd, Lonergan, Gerry, Guffey, Couzens, Keyes, Metcalf, and Capper.

The **CHAIRMAN**. The committee will come to order.

I desire to place in the record a letter which I have received from Dr. Edwin E. Witte, of the Committee on Economic Security, transmitting a statement and tables giving the estimated costs of old-age pensions to the States.

(Statements and tables are as follows:)

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 5, 1935.

Senator PAT HARRISON,
Chairman Senate Finance Committee,
Washington, D. C.

DEAR SENATOR HARRISON: Pursuant to instructions from the Finance Committee given me on the last day that I testified, I am enclosing herewith, an estimate of old-age pensions to the several States. This is stated in a table with a brief preceding explanation.

It is my understanding that this statement and table were to be included in the record of the hearings on the Economic Security Act.

Yours very truly,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE, *Executive Director*.

ESTIMATED COSTS OF OLD-AGE PENSIONS TO THE STATES

(By the executive director and staff of the Committee on Economic Security)

In estimating the cost of old-age pensions to the States under the pending bill for an economic security act, there are two uncertainties: (1) the number of old people who will qualify for old-age pensions and (2) the probable average pension grants.

The pending bill contemplates that only old people who are in need of public assistance shall be granted a pension. While one-half of all people over 65 years of age do not have adequate means of their own, the great majority are now being supported by children, other relatives, and friends. The pending bill contemplates that they shall continue to be so supported and that only those among their number, who actually are not being supported by anyone else and are dependent upon public assistance, shall be granted a pension. The great majority of old people, who are in need of public assistance, are now on Federal Emergency Relief rolls, in addition to which there are, in some States, a considerable number of aged people who are now receiving old-age pensions. Not all of the old people now on relief can qualify for old-age pensions, due to the fact

that some of them are not citizens and others cannot satisfy the 5-year residence requirement. It is believed to be a reasonable estimate, however, that the number of people, who will qualify for old-age assistance after the old-age assistance laws come fully into operation, is approximately the total of the number of the old people now on relief plus those who are in receipt of old-age pensions, where such laws are now in operation. This total is shown in column 3 of the table hereto attached.

Under the pending bill, the old-age assistance grants are to be an amount which, when added to the income of the applicant and his or her spouse, is adequate to provide "a reasonable subsistence compatible with decency and health." With this standard the amount of the grants will vary in each case with the needs and circumstances of the pensioner. Manifestly, smaller grants will be needed in rural areas than in metropolitan districts. In States in which old-age pension laws are now in operation, the grants averaged \$15.75 per month in 1933 and \$16.47 in the early fall of 1934. The States which have been granting old-age pensions, moreover, are on the whole much more industrial than the States which now have no old-age assistance laws; hence, it is probable that the average pension grants in States not now having such laws will be lower than in the more industrial States. Grants to persons on relief in 1934 averaged \$25.83 per family. There was, however, a very great difference in these grants among the States, ranging from \$10.33 in Oklahoma to \$44.94 in New York. Similar variations will doubtlessly occur in the old-age assistance grants. Since these grants are made on an individual basis, they will manifestly tend to be lower than the average monthly relief grants per family, since the relief families include an average of 4.3 persons per family.

In the attached table, five different bases are assumed for estimating the total yearly costs of old-age pensions to the States: Average pensions of \$10 per month; average pensions of \$15 per month; average pensions of \$20 per month; average pensions of \$25 per month; and an average of \$20 per month for the entire country, distributed between the States in the same proportion as relief grants per family in these States bear to the average throughout the country.

Which of these columns will most nearly fit a particular State, is a matter of judgment. The last column in the table is the one which we believe most nearly approximates the probable total cost to the States. In the first year, and perhaps the second, however, these total costs will probably not be realized, as there will be an inevitable lag in getting the aged people, now on relief, on the pension rolls.

Estimated annual cost to States of old-age assistance under the pending Economic Security Act, after the act has come into full operation

State	Estimated number of persons 65 and over on relief November 1934	Number of persons receiving old-age pensions 1934	Total number 66 and over likely to be on pension rolls	Average monthly relief per family 1934 ¹	Average monthly old-age pension 1934	Estimated total yearly cost to States of old-age assistance				
						Average pension \$10 a month (in \$1,000)	Average pension \$15 a month (in \$1,000)	Average pension \$20 a month (in \$1,000)	Average pension \$25 a month (in \$1,000)	Average pension \$20 a month distributed in proportion to relief now given by States (in \$1,000)
Alabama	9,521	-----	9,521	\$14.46	-----	\$571	\$857	\$1,143	\$1,428	\$640
Arizona	3,264	1,974	5,238	20.66	\$9.01	314	471	629	786	503
Arkansas	20,681	-----	20,681	13.17	-----	1,241	1,861	2,482	3,102	1,266
California	23,384	19,300	42,684	31.77	21.16	2,561	3,842	5,323	6,403	6,300
Colorado	13,501	8,705	22,206	26.60	8.69	1,332	1,599	2,665	3,331	2,245
Connecticut	6,468	-----	6,468	33.06	-----	388	582	776	970	993
Delaware	606	1,610	2,216	22.47	9.79	133	139	266	332	231
District of Columbia	814	-----	814	36.68	-----	49	73	98	122	139
Florida	9,778	-----	9,778	12.92	-----	587	880	1,173	1,467	587
Georgia	11,909	-----	11,909	14.98	-----	715	1,072	1,429	1,786	829
Idaho	4,891	1,275	6,166	21.18	8.85	370	555	740	925	597
Illinois	46,503	-----	46,503	29.96	-----	2,790	4,186	5,580	6,975	6,473
Indiana	28,390	23,418	51,808	25.06	6.13	3,108	4,663	6,217	7,771	6,030
Iowa	7,855	3,000	10,855	18.60	13.50	651	977	1,303	1,628	938
Kansas	15,578	-----	15,578	20.15	-----	935	1,402	1,869	2,337	1,458
Kentucky	17,279	-----	17,279	8.26	-----	1,037	1,555	2,073	2,592	664
Louisiana	6,209	-----	6,209	21.96	-----	373	559	745	931	633
Maine	3,754	-----	3,754	41.84	-----	225	338	450	563	730
Maryland	4,184	141	4,325	31.00	29.90	60	389	519	649	623
Massachusetts	28,600	20,023	48,623	39.78	24.35	2,917	4,376	5,835	7,293	8,986
Michigan	30,431	2,660	33,091	30.22	9.59	1,985	3,971	5,964	7,964	4,646
Minnesota	27,482	2,655	30,137	27.90	13.20	1,805	2,712	3,616	4,520	3,906
Mississippi	14,218	-----	14,218	11.11	-----	857	1,285	1,714	2,142	737
Missouri	25,415	-----	25,415	16.79	-----	1,525	2,287	3,050	3,812	1,982
Montana	4,792	1,781	6,573	31.00	7.28	394	592	789	986	946
Nebraska	7,357	-----	7,357	20.15	-----	441	662	883	1,104	689
Nevada	1,379	23	1,402	36.16	15.00	84	126	168	210	236
New Hampshire	1,987	1,423	3,410	29.43	19.06	205	307	409	512	466
New Jersey	18,468	10,560	29,028	30.74	12.72	1,742	2,613	3,483	4,354	4,145
New Mexico	6,835	-----	6,835	19.11	-----	410	615	820	1,025	607
New York	45,944	51,228	97,172	44.94	22.16	5,830	8,745	11,661	14,576	20,290
North Carolina	14,201	-----	14,201	12.66	-----	852	1,278	1,704	2,130	835

¹ Average monthly relief per family for each State was calculated by taking the arithmetic average of the average amounts paid to families during the months of June and November 1934 in each State.

Estimated annual cost to States of old-age assistance under the pending Economic Security act, after the Act has come into full operation—Continued

State	Estimated number of persons 65 and over on relief November 1934	Number of persons receiving old-age pensions 1934	Total number 65 and over likely to be on pension rolls	Average monthly relief per family 1934 ¹	Average monthly old-age pension 1934	Estimated total yearly cost to States of old-age assistance				
						Average pension \$10 a month (in \$1,000)	Average pension \$15 a month (in \$1,000)	Average pension \$20 a month (in \$1,000)	Average pension \$25 a month (in \$1,000)	Average pension \$20 a month distributed in proportion to relief now given by States (in \$1,000) ²
North Dakota	6,872	-----	6,872	\$25.31	-----	\$412	\$618	\$825	\$1,031	\$808
Ohio.....	46,878	24,000	70,878	25.06	\$13.93	4,253	6,379	8,505	10,632	8,250
Oklahoma.....	26,629	-----	26,629	10.33	-----	1,598	2,397	3,195	3,994	1,278
Oregon.....	9,360	-----	9,360	25.57	m--e--	562	842	1,123	1,404	1,112
Pennsylvania.....	48,039	-----	48,039	28.15	-----	2,882	4,324	5,765	7,206	6,254
Rhode Island.....	2,365	-----	2,365	36.42	-----	142	213	284	355	400
South Carolina.....	12,776	-----	12,776	10.85	e-F--	767	1,150	1,533	1,916	644
South Dakota.....	8,738	-----	8,738	27.38	-----	524	786	1,049	1,311	1,111
Tennessee.....	7,669	-----	7,669	12.14	-----	460	690	920	1,150	433
Texas.....	50,242	-----	50,242	12.66	-----	3,015	4,522	6,029	7,536	2,954
Utah.....	5,808	930	6,738	25.83	8.56	404	606	809	1,011	808
Vermont.....	890	-----	890	31.51	-----	53	80	107	134	130
Virginia.....	6,583	-----	6,583	11.62	-----	395	593	791	988	356
Washington.....	9,352	2,239	11,591	22.73	-----	695	1,043	1,391	1,739	1,224
West Virginia.....	15,306	-----	15,306	16.27	-----	918	1,378	1,837	2,296	1,157
Wisconsin.....	15,580	1,969	17,549	32.03	16.75	1,053	1,579	2,106	2,632	2,611
Wyoming.....	1,572	643	2,215	24.02	10.79	133	199	266	332	247
Total.....	736,342	179,557	915,899	25.83	16.47	54,956	82,434	109,917	137,393	110,657